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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 PA-01 SP-02 SS-15 AID-05 COME-00
EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
OMB-01 CEA-01 STR-07 AGRE-00 CU-04 OES-07 DLOS-09
DOTE-00 IO-13 DOE-11 SOE-02 DOEE-00 INT-05 HUD-01
ACDA-12 NSCE-00 SSO-00 USIE-00 INRE-00 /151 W
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FM AMEMBASSY NASSAU
TO SECSTATE WASHDC IMMEDIATE 606

C O N F I D E N T I A L SECTION 1 OF 2 NASSAU 0549

E.O. 11652: GDS
TAGS: ECON EINV EAID ENRG PFOR MARR US BF
SUBJ: ECONOMIC COOPERATION TALKS

REF: NASSAU 0544

1. SUMMARY: BAHAMIANS PRESENTED STATEMENT OF DEVELOPMENT PRIORITIES CENTERED ON RECOGNITION THAT TOURISM WILL REMAIN THE CENTRAL FEATURE OF ECONOMY. BAHAMIANS SAID USUAL MECHANISMS FOR COOPERATION AS DESCRIBED BY U.S. TEAM INSUFFICIENT REFLECTION OF "SPECIAL RELATIONSHIP" BETWEEN U.S. AND BAHAMAS AND LONG-TERM BAHAMIAN DEVELOPMENT NEEDS AND SAID THAT "SPECIAL MECHANISMS" NEEDED. U.S. TEAM AGREED AT GCOB REQUEST TO INVESTIGATE POSSIBILITY OF AGREEMENT EMBODYING U.S. COMMITMENT TO MAKE BEST EFFORTS TO ASSIST BAHAMIAN DEVELOPMENT OVER EXTENDED PERIOD. BAHAMIANS REFERRED ON SEVERAL OCCASIONS TO OVERRRIDING POLITICAL AND SECURITY ELEMENTS OF RELATIONSHIP, BUT DID NOT EXPLICITYLY LINK SUCCESS OF ECONOMIC TALKS TO SUCCESS OF BASE NEGOTIATIONS. END SUMMARY.

2. BEFORE FORMAL TALKS HEAD OF U.S. TEAM (ROGERS, ARA/ECP)
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AND EMBASSY ECONOMIC OFFICER GARNER HAD FRIENDLY 50 MINUTE MEETING WITH FOREIGN MINISTER ADDERLEY. ADDERLEY STRESSED ECONOMIC, SOCIAL AND CULTURAL CONSEQUENCES OF BAHAMAS' PROXIMITY TO U.S. AND REGRETTED ABSENCE OF RECOGNI-TION IN WASHINGTON OF INEVITABLE SPECIAL RELATIONSHIP BETWEEN TWO COUNTRIES. WE SPOKE OF BAHAMAS' SERIOUS LACK OF INTERMEDIATE MANGERIAL SKILLS. HE DESCRIBED AT

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LENGTH SUCCESS AND IMPORTANCE OF BARTAD AGRICULTURAL
PROJECT AND LAMENTED LACK OF SIMILAR PIONEERING PROJECT
FOR OTHER SECTORS OF ECONOMY. ADDERLEY COMMENTED AT
LENGTH ON INADEQUACY OF PER CAPITA GNP CONCEPT AS BASIC
CRITERION FOR DEVELOPMENT ASSISTANCE FOR THE "SPECIAL"
CASE OF THE BAHAMAS. ROGERS GAVE ADDERLEY OUTLINE OF
APPROACH U.S. TEAM WOULD TAKE IN ECONOMIC COOPERATION TALKS.

3. U.S. TEAM (MOSER OF AID/RDP AND GRIFFITH OF ARA/CAR
AS WELL AS ROGERS AND GARNER) THEN MET WITH GCOB TEAM LED
BY BAIN, SECRETARY OF CABINET, AND INCLUDING CENTRAL BANK
GOVERNOR DONALDSON, FINANCE MINISTRY PERMANENT SECRETARY
WOOD, DEVELOPMENT BANK MANAGING DIRECTOR ROLLE, AND
MINISTRY OF ECONOMIC AFFAIRS PERMANENT SECRETARY ARCHER.

4. BAIN LED OFF WITH STATEMENT (TEXT TRANSMITTED
SEPARATELY) EXPRESSING HOPE U.S. AS NEIGHBOR AND MAIN
TRADING PARTNER WITH SHARED SECURITY INTERESTS WOULD
ASSIST BAHAMAS TOWARD LONG-TERM GOAL OF ECONOMIC VIABILITY
IN WAYS CONSISTENT WITH GCOB PRIORITIES, WHICH HE LISTED
AS TOURISM DEVELOPMENT, AGRICULTURE AND FISHERIES, AND
TRANSPORTATION (WITH SPECIAL REFERENCE TO TOURISM
NEEDS), EDUCATION, HOUSING AND BANKING. STATEMENT ASKED
THAT ASSISTANCE BE CHANNELED MAINLY THROUGH BAHAMAS
DEVELOPMENT BANK, A POINT WHICH WAS REITERATED AND STRESSED
LATER IN TALKS. NEITHER IN THE STATEMENT NOR IN FOLLOWING
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DISCUSSION DID THE GCOB TEAM PRESENT SPECIFIC PROJECT
IDEAS, WITH MINOR EXCEPTIONS OF VAGUE REFERENCE TO
EXPANSION OF ROUTES AND EQUIPMENT FOR BAHAMASAIR,
DIFFERENTIAL FAVORABLE U.S. TAX TREATMENT OF CONVENTIONS
HELD IN THE BAHAMAS, AND U.S. STOCKPILING OF OIL IN
THE BAHAMAS.

5. U.S. TEAM PRESENTATION INCLUDED DESCRIPTION OF CURRENT
U.S. APPROACH TO, AND PROGRAMS SUITABLE FOR, MIDDLE
DEVELOPING COUNTRIES: AID REIMBURSABLE DEVELOPMENT
PROGRAMS (WITH SUGGESTIONS FOR GCOB OF POSSIBLE HOUSING
SECTOR ANALYSIS, AGREEMENT WITH COAST GUARD ON OIL SPILLS,
BEACH EROSION, AND CENSUS ASSISTANCE), AGRICULTURAL
PROGRAMS (WITH EMPHASIS ON CCC), EXIMBANK (INCLUDING CFF),
AND OPIC (WITHIN LIMITATIONS OF POLICY EMPHASIS ON
POORER COUNTRIES). ALSO DESCRIBED INTERNATIONAL
EXECUTIVE SERVICE CORPS.

6. DISCUSSION SHOWED SOME FAMILIARITY ON BAHAMIANS'
PART WITH EXIMBANK AND IESC (BOTH OF WHICH HAVE PROGRAMS
HERE) AND SOME INTEREST ON PART OF BDB MANAGING DIRECTOR
ROLLE IN SMALL BUSINESS EXCEPTION IN OPIC POLICY AND

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IN FURTHER IESC PROJECTS, ON BOTH OF WHICH U.S. TEAM
PROMISED FOLLOWUP. PRINCIPAL BAHAMIAN RESPONSE, HOWEVER,
WAS LONG AND ELOQUENT (BUT SUBSTANTIVELY LIMITED) BAIN
STATEMENT. HE SAID U.S.-BAHAMIAN RELATIONSHIP IS SO
SPECIAL THAT IT "SUGGESTS SPECIAL MACHINERY." BAIN
CALLED ECONOMIC TALKS AN "ADJUNCT TO MUCH WIDER TALKS ON
ANOTHER TYPE OF RELATIONSHIP", WHICH HE CALLED "POLITICAL."
(HE LATER SAID IT "APPEARS THERE WILL BE AN ARRANGEMENT"
BETWEEN THE U.S. AND GCOB IN THIS "POLITICAL" AREA.)
BAIN CALLED U.S. PROPOSALS ALL "TECHNICAL ASSISTANCE" AND
SAID BAHAMIAN NEEDS WENT BEYOND THAT. GCOB WAS LOOKING
FOR LONG-TERM ARRANGEMENT TO MAKE BAHAMAS ECONOMICALLY
VIABLE AND A BETTER NEIGHBOR. ECONOMIC WEAKNESSES COULD
LEAD TO SOCIAL PROBLEMS WITH SECURITY IMPLICATIONS. IF
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PROPOSALS U.S. TEAM DESCRIBED WERE ALL WE HAD TO TALK ABOUT,
THERE WAS NO NEED TO TALK.

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
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OMB-01 CEA-01 STR-07 AGRE-00 CU-04 OES-07 DLOS-09
DOTE-00 IO-13 DOE-11 SOE-02 DOEE-00 INT-05 HUD-01
ACDA-12 NSCE-00 SSO-00 USIE-00 INRE-00 /151 W
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C O N F I D E N T I A L SECTION 2 OF 2 NASSAU 0549

7. INTERESTING DISCUSSION ENSUED IN WHICH U.S. TEAM
CLARIFIED THAT U.S. PROGRAMS TEAM HAD DESCRIBED IN FACT
COVERED BREADTH OF ASPECTS NEEDED FOR DEVELOPMENT, NOT JUST
TECHNICAL ASSISTANCE, BUT THAT WE ASSUMED GCOB HAD
RESPONSIBILITY FOR SELECTING AND COORDINATING RESOURCES

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AVAILABLE FROM SUCH SOURCES TO ENSURE THAT THEY
CONTRIBUTED TO BAHAMIAN DEVELOPMENT ACCORDING TO BAHAMIAN
PRIORITIES. WHEN FOG CLEARED, BAIN ACKNOWLEDGED THAT
BAHAMIANS WERE NOT "DECRYING" MECHANISMS U.S. TEAM
SUGGESTED BUT THAT IN ADDITION THEY WERE LOOKING FOR AN
"UMBRELLA" ARRANGEMENT: " AN UNDERSTANDING THAT THE USG
WOULD DO ALL POSSIBLE, MAKE ITS BEST ENDEAVORS AND A LITTLE
MORE, TO ASSIST THE GCOB TO DEVELOP ITS ECONOMY ACCORDING
TO ITS PRIORITIES AND TO SEEK MEANS WITHIN THE U.S.
SYSTEM TO BRING ABOUT AND MAINTAIN AN ATMOSPHERE OF
COOPERATION OVER A LONG PERIOD WHICH COULD ASSIST IN
ACHIEVING LONG-TERM BAHAMIAN ECONOMIC VIABILITY." BAIN
SAID BAHAMAS WAS "MARRIED" TO U.S. AND WANTED AN UNDER-
STANDING THAT REFLECTED THE SPECIAL FAMILY RELATIONSHIP OF
THE BAHAMAS WITH THE U.S. HE MADE CLEAR THAT HE WAS NOT
ASKING USG TO DO ANYTHING THAT WOULD BE TO DETRIMENT OF U.S.

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8. DONALDSON SAID THE GCOB WANTED TO BE SURE THAT WHEN
BAHAMIANS WENT TO VARIOUS AGENCIES THEY WOULD GET SYMPATHETIC
ATTENTION. ALTHOUGH WOOD HAD SAID GCOB NEEDS LONG-TERM
(10 YEAR) CONCESSIONAL FUNDS ASSISTANCE, DONALDSON IMPLICITLY
ACCEPTED THAT USG WOULD NOT BE ABLE TO PROVIDE CONCESSIONAL
FUNDS AND SUGGESTED INSTEAD THAT USG USE ITS INFLUENCE
(WHICH HE OVERSTATED) IN WORLD BANK AND IDB TO SUPPORT
GCOB IF PROPOSALS WERE SOUND AND WITHIN BANKS' CRITERIA.
DONALDSON STRESSED THE DIFFICULTY FOREIGNERS SUCH AS IMF
AND IBRD ADVISORS HAVE IN UNDERSTANDING THE PECULIAR NATURE
OF THE BAHAMIAN ECONOMY. HE STRESSED THAT TEXTBOOK
PRINCIPLES SIMPLY DO NOT APPLY TO THIS TOURISM-FOCUSED
ISLAND SO CLOSE TO THE U.S. AND THAT PLANNING AND
ASSISTANCE MUST RECOGNIZE THIS REALITY. HE ALSO STRESSED
THAT THE U.S. SHOULD TAKE PRIDE IN AND FULLY SUPPORT THE
DEMOCRATIC, FREE-ENTERPRISE POLICIES OF THE GCOB, INTIMATING
THAT WE COULD MAKE IT A SHOW CASE FOR THE ECONOMIC AND
POLITICAL PRINCIPLES WE ESPOUSE. (DONALDSON'S STRESS ON
GCOB'S DEVOTION TO FREE ENTERPRISE MAY HAVE BEEN RESPONSE
TO LOCAL PRESS AND POLITICAL OPPOSITION'S ACCUSATIONS THAT
PRESENT GOVERNMENT WAS LEADING BAHAMIANS TO JAMAICA-TYPE
SOCIALISM.)

9. IN CONCLUSION, TEAMS AGREED THAT: (A) GCOB WOULD TAKE
CLOSER LOOK AT U.S. TEAM'S SUGGESTIONS FOR COOPERATION WITH
OBJECTIVE OF MAKING EVERY APPROPRIATE USE OF MECHANISMS
DESCRIBED; (B) U.S. TEAM WOULD RAISE POSSIBILITY IN WASHINGTON
OF "UMBRELLA-TYPE" ARRANGEMENT FOR USG BEST ENDEAVORS TO
ASSIST BAHAMAS DEVELOPMENT AS REQUESTED BY GCOB.

10. IN SUBSEQUENT MEETING MOSER AND GARNER HAD WITH

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WOOD AND ROLLE, WOOD SAID HE PERSONALLY WOULD BE MUCH
INTERESTED IN PURSUING IDEA OF AID HOUSING INVESTMENT
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GUARANTEE PROGRAM AS IMPETUS FOR UNDERTAKING A 200-UNIT
URBAN SHELTER PROGRAM IN NASSAU AND THE FAMILY ISLANDS
TO RELIEVE URBAN CONGESTION AND ALLEVIATE GROWING
UNEMPLOYMENT. MOSER EXPRESSED DOUBT THAT SUCH PROGRAMS
WOULD BE POSSIBLE BUT DID NOT RULE IT OUT. HE SUGGESTED
GCOB INITIATE FORMAL REQUEST THROUGH EMBASSY HERE.
MOSER SAID HE WOULD ASK THAT EXPERTS IN AID OFFICES OF
HOUSING AND OF URBAN DEVELOPMENT PROVIDE INFORMATION TO
WOOD.

11. COMMENT: TALKS WERE CORDIAL AND GENERALLY CONSTRUCTIVE.
COMMENTS TO AMBASSADOR BY FOREIGN MINISTER, AFTER MONDAY
MORNING MEETING WITH TEAM HEAD, AS WELL AS BY
BAIN MONDAY EVENING, SHOWED CONTINUED APPRECIATION FOR
WASHINGTON'S HAVING SENT TEAM AND SEEMED TO IMPLY SOME
OPTIMISM CONCERNING TALKS. REFERENCES TO POLITICAL AND
SECURITY ASPECTS, AND PARTICULARLY "ADJUNCT" COMMENT
REPORTED ABOVE, WERE CLEARLY MEANT TO IMPLY RELATIONSHIP
OF THESE TALKS TO BASE NEGOTIATIONS. ROGERS MADE CLEAR
TO ADDERLEY THAT TEAM WAS HERE TO TALK ONLY ABOUT ECONOMIC
SUBJECTS, AND IN ECONOMIC TALKS HE STRESSED THAT ANY USE
OF DESCRIBED MECHANISMS WOULD HAVE TO BE WITHIN LEGAL AND
POLICY POSSIBILITIES OF THOSE MECHANISMS. TALKS GAVE
U.S. SIDE NO APPROPRIATE OCCASION OR NEED TO CHALLENGE
GCOB ON THIS POINT MORE EXPLICITLY.
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Message Attributes

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Draft Date: 14 mar 1978
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Disposition Action: RELEASED
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Disposition Case Number: n/a
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Status: NATIVE
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TAGS: ECON, EINV, EAID, ENRG, PFOR, MARR, US, BF
To: STATE
Type: TE
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